



## 2Q06 Earnings

August 9th, 2006

### BOVESPA

CPFE3: R\$ 29.13 / share

### NYSE

CPL: US\$ 40.50 / ADR

(1 ADR = 3 shares)

### TOTAL SHARES

479,756,730

### MARKET CAP

R\$ 13.9 billion

Closing price on 08/09/2006

Portuguese Conference Call with  
Simultaneous Translation into  
English

### Bilingual Q&A

Thursday, August 10, 2006

Time: 3:00 PM (SP), 2:00 PM (US-ET)

☎ Portuguese: (11) 2101-4848

English: (1-973) 409-9260

Code: CPFL ou 7600775

\*Webcast: <http://ri.cpfl.com.br>

## CPFL ENERGIA ANNOUNCES 2Q06 NET INCOME OF R\$ 305 MILLION

São Paulo, August 09, 2006 – CPFL Energia S.A. (Bovespa: CPFE3 e NYSE: CPL), announces today its results for the second quarter of 2006. Unless otherwise stated, the financial and operational results herein are presented on a consolidated basis in accordance with the Brazilian Corporate Law and all comparisons are with the 2Q05.

### 2Q06 HIGHLIGHTS

- **Net income of R\$ 305 million** for the 2Q06, up by 30.0%
- **Gross revenues of R\$ 2.9 billion**, increase of 6.8%
- **Net revenues of R\$ 2.1 billion**, increase of 10,0%
- **EBITDA<sup>(1)</sup> of R\$ 659 million**, an 18.9% improvement.
- 1H06 dividend payment of R\$ 612 million
- Increase of 4,0% in energy sales to final customers, 3,9% in concession area and 32,1% to the free market
- Acquisition of a 32.7% stake in RGE by CPFL Energia, in May 2006
- Acquisition of CEEE's 11.0% stake in the Foz do Chapecó Hydro Plant
- CPFL Paulista was awarded by "ABRADEE" as "Best Distribution Company in Brasil"

(1) EBITDA is the sum of net income, taxes, financial result, depreciation/ amortization and private pension fund, plus adjustments related to the extraordinary item and non-recurring transactions.



Índice de Ações com Tag Along Diferenciado



## PERFORMANCE OF ON SHARES / ADRs OVER THE 1H06

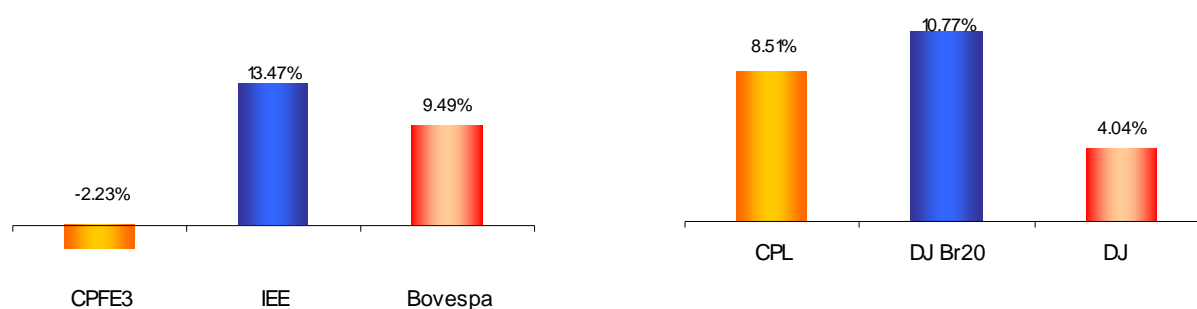
CPFL Energia's shares are traded in Brazil (Bovespa) and on the New York Stock Exchange (NYSE); the Company currently has a 17.7% free float.

Since 2005, the Company's shares have been listed on several important indices, which act as a reference for both national and foreign investors. These include the Bovespa's ISE – Corporate Sustainability Index, IBrX – Brazil Index (IBX-100), IEE – Electric Power Index, ITAG – Special Tag Along Stock Index and IGC - Special Corporate Governance Stock Index, and the NYSE's DJBr20 - Dow Jones Brazil Titans Index 20 ADR.

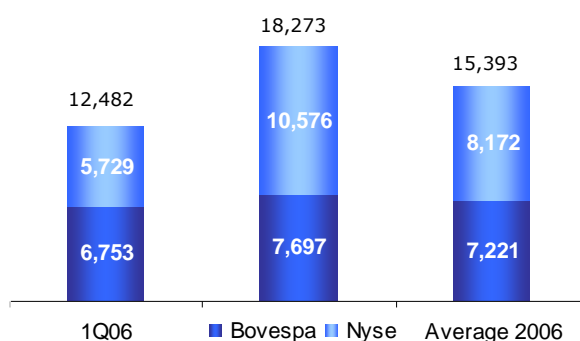
CPFL's shares depreciated 2.2% on the Bovespa and appreciated 8.5% on the NYSE year-to-date, closing the first half at R\$26.46 and US\$36.55, respectively.

The average daily traded volume in first half of the year was R\$15.4 million, R\$7.2 million of which on the Bovespa and R\$8.2 million on the NYSE.

### Share Performance – 1H06

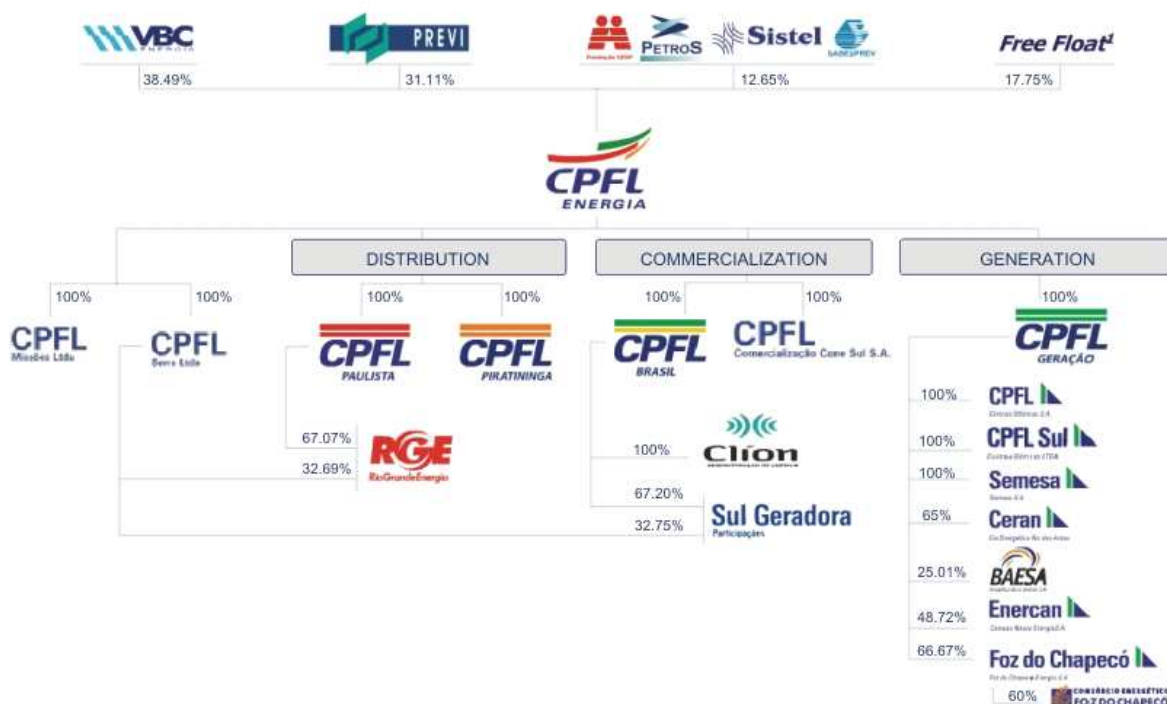


### Average Daily Traded Volume – R\$ thousand



## CORPORATE STRUCTURE

CPFL Energia is a holding company which depends directly on the results of its subsidiaries, most notably CPFL Paulista (100%), CPFL Piratininga (100%), CPFL Geração (100%) and CPFL Brasil (100%).



## Changes in Shareholding Structure

- Segregation of shareholding interests maintained by CPFL Paulista:

The Extraordinary Shareholders' Meeting of April 13, 2006, approved the implementation of the first stage of the corporate restructuring process, aimed at segregating the shareholding interests maintained by CPFL Paulista, as determined by Law 10,848/04.

This first stage involved reducing CPFL Paulista's capital by assets worth R\$ 413.3 million, which were then transferred to CPFL Energia. These included 100% of CPFL Piratininga's capital stock, amounting to R\$ 385 million.

As a result of this first stage reorganization, CPFL Piratininga became a direct subsidiary of CPFL Energia. The main benefits of the reorganization were: (i) the direct flow of dividends to the holding company; and (ii) the booking of the goodwill from the acquisition of CPFL Piratininga by CPFL Energia.

It is important to point out that this corporate restructuring was recorded in the accounts as of January 1, 2006, based on the appraisal report drawn up by Deloitte Touche Tohmatsu on the base date of December 31, 2005.

The next and final stage, involving the segregation of CPFL Paulista's holdings in RGE, should take place by March, 2007, as determined by Law n 10,848/04 and ANEEL Resolution 305/05.

- Acquisition of 32.7%<sup>(1)</sup> of RGE by CPFL Energia:

On May 10, 2006, CPFL Energia signed a purchase agreement with PSEG for the direct acquisition of 100% of Ipê Energia Ltda., PSEG Brasil Ltda. and PSEG Trader S.A.

Following the acquisition, the CPFL Group will own a total of 99.76%<sup>(1)</sup> of RGE and 99.95% of Sul Geradora. The company already owns 67.1% of RGE and 67.2% of Sul Geradora through two of its subsidiaries, CPFL Paulista and CPFL Brasil.

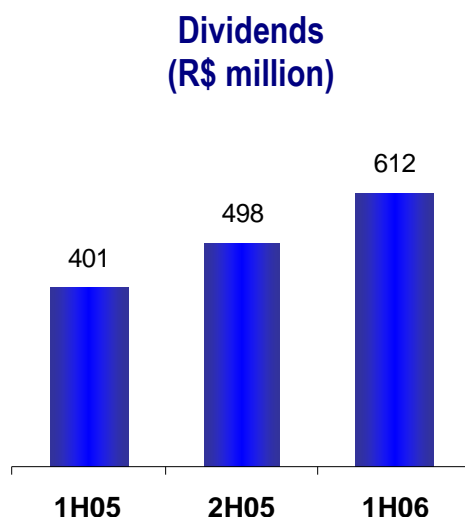
## DIVIDENDS AND INTEREST ON EQUITY

CPFL Energia's dividend payment policy stipulates that a minimum of 50% of adjusted net income be distributed on a half-yearly basis as dividends or interest on equity.

In 2004 and 2005 the dividend payment reached the maximum allowed by law - 95% of adjusted net income - well above the stipulated 50% minimum. In absolute terms, pay-outs exceeded the minimum by R\$ 551 million.

CPFL Energia announced the payment of interim dividends amounting to R\$612 million for the 1H06, or 100% of period net income, amounting to R\$1.275606865 per share (gross).

The 1H06 dividend yield, based on the average share price in the period (R\$30.05), came to 4.3%. When calculated based on the price at the end of the period (R\$26.46), the dividend yield stood at 4.8%.



## ENERGY SALES

### Energy Sales to End-Customers

| Energy Sales - GWh |              |              |             |
|--------------------|--------------|--------------|-------------|
|                    | 2Q06         | 2Q05         | Var.        |
| Captive Market     | 7,742        | 7,899        | -2.0%       |
| Free Market        | 2,197        | 1,663        | 32.1%       |
| <b>Total</b>       | <b>9,939</b> | <b>9,563</b> | <b>4.0%</b> |

CPFL group energy sales to final customers through the distribution and commercialization segments totaled 9,962 GWh in the 2Q06, a 4.0% increase year-on-year.

Sales to the captive market came to 7,742 GWh, a 2.0% decline over the 2Q05. This reduction was mainly due to the migration of customers from captive market to the free market.

Period sales to the free market totaled 2,197 GWh, 32.1% up year-on-year. This increase was because the commercialization segment retained most of the captive customers who migrated to the free market, aided by the acquisition of new customers outside CPFL Energia's concession area.

### Captive Market

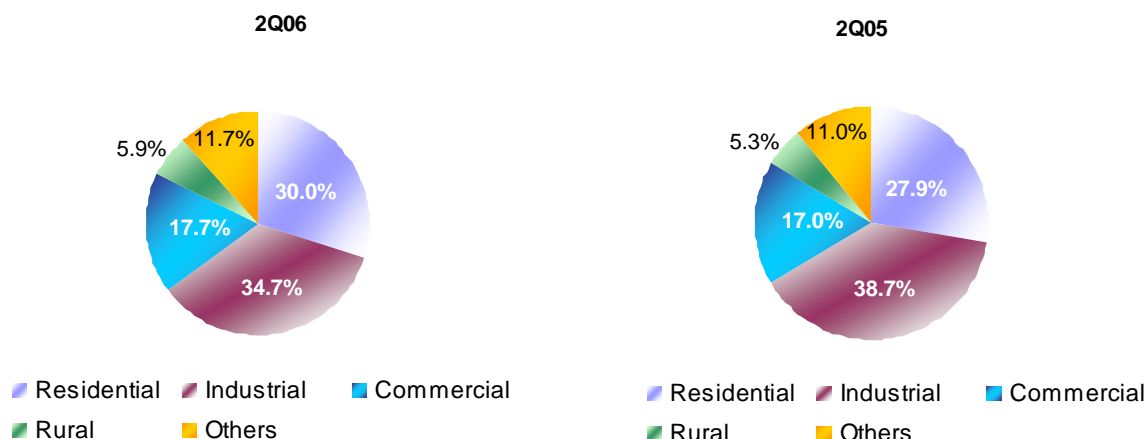
| Captive Market - GWh |              |              |              |
|----------------------|--------------|--------------|--------------|
|                      | 2Q06         | 2Q05         | Var.         |
| Residential          | 2,320        | 2,205        | 5.2%         |
| Industrial           | 2,683        | 3,059        | -12.3%       |
| Commercial           | 1,373        | 1,341        | 2.4%         |
| Rural                | 459          | 420          | 9.3%         |
| Others               | 907          | 874          | 3.8%         |
| <b>Total</b>         | <b>7,742</b> | <b>7,899</b> | <b>-2.0%</b> |

In the captive market stand out sales to the two most important segments: industrial and residential

- industrial: decrease of 12.3% due to the migration of customer from captive market to free market

- residential: increase of 5.2% year-on-year chiefly due to the increase in home-appliance utilization supported for the sales increased of this products fueled by the credit expansion.

## Sales by Segment



## ECONOMIC AND FINANCIAL PERFORMANCE

| CONSOLIDATED INCOME STATEMENT -<br>CPFL ENERGIA (R\$ thousand) | 2Q06             | 2Q05             | Var.         |
|--|------------------|------------------|--------------|
| <b>OPERATING REVENUES</b>                                      | <b>2,937,951</b> | <b>2,752,306</b> | <b>6.7%</b>  |
| Net Operating Revenues   | 2,131,071        | 1,937,406        | 10.0%        |
| Cost of Electric Energy  | (1,004,723)      | (1,005,832)      | -0.1%        |
| Operating Cost/Expenses  | (545,752)        | (464,302)        | 17.5%        |
| Income from Electric Energy Services                           | 580,596          | 467,272          | 24.3%        |
| <b>EBITDA</b>  | <b>658,955</b>   | <b>554,232</b>   | <b>18.9%</b> |
| Financial Income (Expense)                                     | (89,814)         | (187,613)        | -52.1%       |
| Operating Income   | 490,782          | 279,659          | 75.5%        |
| Income Before Taxes  | 488,675          | 278,501          | 75.5%        |
| <b>NET INCOME</b>  | <b>305,493</b>   | <b>234,951</b>   | <b>30.0%</b> |

## Gross Revenues

Gross operating revenues for the 2Q06 totaled R\$ 2,937 million, 6.7% up on the second quarter of 2005. Net operating revenue grew by 10.0% (R\$ 194 million) year-on-year, mainly pushed by:

- (i) increase of 4.0% in energy sales to final customers, added to the tariff readjustment by distributors (R\$ 117 million)
- (ii) increase of 47.0% (R\$ 53 million) in TUSD revenues
- (iii) extinction of the emergency charges required by ANEEL (R\$ 69 million)

## COST OF ENERGY SERVICE

### Cost of Electric Energy Services

The cost of energy service, which comprises the cost of purchased energy and overheads for the use of the system, totaled R\$ 1.004 million in the 2Q06, down by 0.1% (R\$ 1 million).

The cost of purchased energy totaled R\$ 813 million in the 2Q06, down by 0.6% (R\$ 5 million) in comparison to 2Q05. Chiefly due to:

- (i) increase of 5.7% (R\$ 49 million) in the cost of purchased energy;
- (ii) reduction of 119.8% (R\$ 33 million) from the deferral and amortization of the CVA
- (iii) decline of R\$ 15 million from the repass in the PIS/COFINS tax rates to the generators
- (ii) drop of R\$ 7 million due to the booking of energy leftovers

Overheads for the use of the transmission and distribution system reached R\$ 191 million in the 2Q06, up by 2.1% (R\$ 4 million) in comparison to the same period of previous year.

### Operating Costs

Operating costs reached R\$546 million in the 2Q06, 17.5% up (R\$ 81 million) year-on-year primarily thanks to:

- (i) PMSO: the main variations were in personnel expenses, which moved up 15.3% (R\$ 12 million) in the 2Q06, chiefly due to the pay rise in June 2006; the acquisition of 32.7% of RGE's capital; and other operating costs, up by 29.3% (R\$ 14 million), due to changes in the accounting criterion for the energy efficiency program and R&D as of December 2005 pursuant to ANEEL Resolution 176;
- (ii) CCC and CDE Subsidies: CCC and CDE costs rose 42.9% and 41.0%, respectively (R\$ 68 million). It is worth noting that these are not manageable costs since they are defined by the regulatory body ANEEL;
- (iii) Private Pension Fund: costs and expenses from the private pension fund fell by 108.4% (R\$24 million), this account was booked as an expenses in 2Q05 and now is booked as an income of R\$ 2 million in 2Q06. This variation is due to the increase in the expected rate of return on the fund's assets, as defined in the last actuarial report.

## EBITDA

In 2Q05 CPFL Energia's EBITDA totaled R\$659 million, an 18.9% (R\$105 million) growth year-on-year.

## Financial Result

The financial result was a net expense of R\$ 90 million, a 52.1% improvement in comparison to a net expense of R\$ 188 million in the 2Q05. Part of this amount refers to interest on capital paid in 2Q05 (R\$ 81 million).

Excluding this issue the financial results in 2Q05 has increased 15.6% (17 million) in comparison to 2Q05, mainly due to:

- (i) growth of 37.9% in financial revenues (R\$ 44 million), of which R\$ 39 million refers to hedging operation for RGE acquisition
- (ii) increase of 12.5% in financial expenses (R\$ 28 million), of which R\$ 14 million refers to hedging operation for RGE acquisition

## Net Income

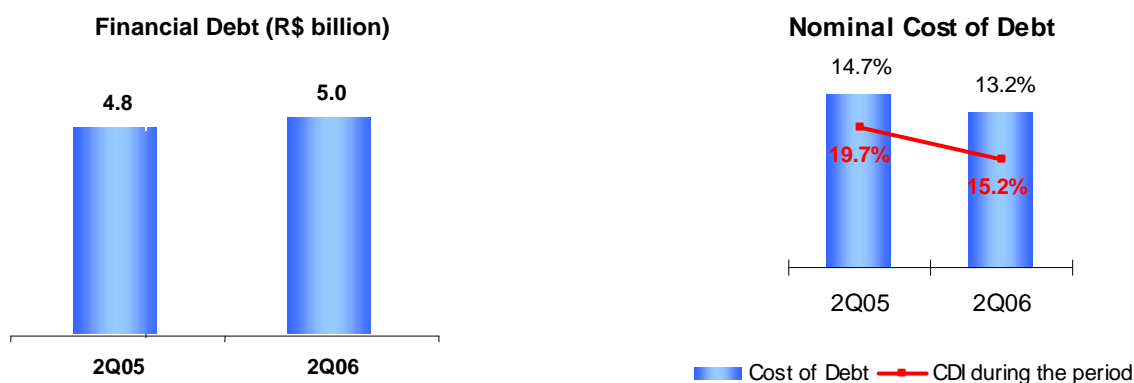
Net income stood at R\$ 305 million in 2Q06, increase of 30.0% (R\$ 71 million) in comparison to the same period of previous year.

## INDEBTEDNESS

CPFL Energia's debt came to R\$5,023 million in the 2Q06, growth of 5.0% in comparison to 2Q05. Although the company's debt increased in nominal terms, the decrease of mainly macroeconomics index, as selic rate, IGP-M and TJLP, squeezing the cost of debt from 14.7% p.a. in the 2Q05 to 13.2% p.a. in the 2Q06.

| LOANS AND FINANCINGS - 2Q06 (R\$ thousand) |                |                  |                  |                  |
|--|----------------|------------------|------------------|------------------|
|  | CHARGES        | PRINCIPAL        |                  | TOTAL            |
|  |                | SHORT TERM       | LONG TERM        |                  |
| <b>LOCAL CURRENCY</b>                      |                |                  |                  |                  |
| BNDES - Repowering                         | 114            | 3,741            | 16,109           | 19,964           |
| BNDES - Investimento                       | 8,392          | 132,125          | 1,154,747        | 1,295,264        |
| BNDES - RTE, Parcela "A" e Energia Livre   | 913            | 305,508          | 262,341          | 568,762          |
| BNDES - CVA Portaria 116                   | 147            | 23,376           | -                | 23,523           |
| FIDC                                       | 23,053         | 40,064           | -                | 63,117           |
| Furnas Centrais Elétricas S.A.             | -              | -                | 110,856          | 110,856          |
| Financial Institutions                     | 4,657          | 15,613           | 298,410          | 318,680          |
| Others                                     | 459            | 37,245           | 17,850           | 55,554           |
| <b>Subtotal</b>                            | <b>37,735</b>  | <b>557,672</b>   | <b>1,860,313</b> | <b>2,455,720</b> |
| <b>FOREIGN CURRENCY</b>                    |                |                  |                  |                  |
| Floating Rate Notes                        | 92             | 38,957           | -                | 79,898           |
| IDB  | 810            | -                | 79,088           | 257,753          |
| Financial Institutions                     | 2,637          | 177,525          | 77,591           | 257,753          |
| <b>Subtotal</b>                            | <b>3,539</b>   | <b>216,482</b>   | <b>156,679</b>   | <b>376,700</b>   |
| <b>DEBENTURES</b>                          |                |                  |                  |                  |
| CPFL Paulista                              | 30,261         | 369,299          | 629,732          | 1,029,292        |
| CPFL Piratininga                           | 32,073         | -                | 400,000          | 432,073          |
| RGE  | 8,368          | 0                | 230,000          | 238,368          |
| SEMESA                                     | 3,296          | 129,178          | 298,401          | 430,875          |
| BAESA                                      | -              | 2,316            | 57,511           | 59,827           |
| <b>Subtotal</b>                            | <b>73,998</b>  | <b>500,793</b>   | <b>1,615,644</b> | <b>2,190,435</b> |
| <b>TOTAL</b>                               | <b>115,272</b> | <b>1,274,947</b> | <b>3,632,636</b> | <b>5,022,855</b> |





Adjusted net debt, calculated on the total debt (loans, financing and derivatives plus the debt with the private pension fund) excluding the regulatory asset/CVA and cash and cash equivalents, rose 11.7% year-on-year to R\$ 4,271 million. The main factor for the increase was the reduction of R\$ 227 million, or 47.5%, in cash and cash equivalents, chiefly due to the allocation of cash to the acquisition of the remaining share of RGE's capital, in addition to the payment of dividends for the 2H05.

| R\$ Thousand                        | 2Q06               | 2Q05               | Change       |
|-------------------------------------|--------------------|--------------------|--------------|
| Total Debt <sup>(1)</sup>           | (5,972,470)        | (5,785,951)        | 3.2%         |
| + Regulatory Assets and Liabilities | 1,223,474          | 1,310,132          | -6.6%        |
| + Available Funds                   | 478,211            | 705,219            | -32.2%       |
| <b>= ADJUSTED NET DEBT</b>          | <b>(4,270,785)</b> | <b>(3,770,600)</b> | <b>13.3%</b> |

(1) Financial Debt + Derivatives + Private Pension Fund (Fundação CESP)

## CAPEX

In the 2Q06, expansion and maintenance investments totaled R\$ 219 million, of which R\$121 million went to distribution, R\$ 1 million to commercialization and R\$ 97 million to generation.

In recent years, CPFL Energia's main investments have been concentrated in the following items:

- **Distribution Segment:** Expansion of the system to meet growing consumer demand. In the 2Q06, 73,924 new connections were added. Investments have also been made in system maintenance and improvements, operational infrastructure, operational support systems and the R&D program;
- **Commercialization Segment:** Improvements to the portfolio and risk management systems;
- **Generation Segment:** Conclusion of the Barra Grande Hydro Plant and investments in the ongoing construction of the CERAN Complex and the Campos Novos Hydro Plant.

## CASH FLOW

We start to present in this statement a CPFL Energia's detailed cash flow. Stand out that the cash flow was elaborated in accordance to FAS 95 – Statement of Cash Flows criteria.

In the statement below, we present a comparison between 1H05 and 1H06, which of the comments refers to the cash evolution in 2H06.

|   | Consolidated     |                 |
|---|------------------|-----------------|
|   | 06/30/2006       | 06/30/2005      |
| <b>Initial Cash Balance</b>                               | <b>678,780</b>   | <b>499,838</b>  |
| Net Income  | 611,981          | 400,597         |
| Items of Results not Affecting the Cash                   | 172,991          | 241,149         |
| Consumers, Concessionaries and Licensees                  | 174,343          | 57,511          |
| Suppliers   | (131,062)        | (30,088)        |
| Cash Investments  | 196,020          | (37,735)        |
| Others  | 43,337           | (40,041)        |
| Cash Flow from Operating Activities                       | 1,067,610        | 591,393         |
| Investment Activities                                     |                  |                 |
| Acquisition of Stake                                      | (414,967)        | (1,703)         |
| Acquisition of Property, Plant and Equipment              | (362,500)        | (265,138)       |
| Others  | 41,883           | 6,311           |
|   | (735,584)        | (260,530)       |
| Financing Activities                                      |                  |                 |
| Loans, Financing and Debentures                           | 870,674          | 581,810         |
| Principal Amortization of Loans, Financing and Debentures | (1,063,373)      | (781,932)       |
| Dividend and Interest on Own Capital Paid                 | (479,246)        | (152,320)       |
| Others  | 24               | -               |
|   | (671,921)        | (352,442)       |
| <b>Generation of Cash Flow for the Period</b>             | <b>(339,895)</b> | <b>(21,579)</b> |
| <b>Final Cash Balance</b>                                 | <b>338,885</b>   | <b>478,259</b>  |

On June 30<sup>th</sup>, 2006 the closing balance of cash equivalents totaled R\$ 339 million, decrease of 29.1% (R\$ 139 million) in comparison to the opening balance of cash equivalents.

The mainly reason to the reduction on cash equivalents in 1H06 were the acquisitions of stake (RGE) and dividend payment.

## PERFORMANCE OF BUSINESS UNITS

### Distribution Segment

| CONSOLIDATED INCOME STATEMENT -<br>CPFL ENERGIA (R\$ thousand) | 2Q06             | 2Q05             | Var.         |
|--|------------------|------------------|--------------|
| <b>OPERATING REVENUES</b>                                      | <b>2,937,951</b> | <b>2,752,306</b> | <b>6.7%</b>  |
| Net Operating Revenues   | 2,131,071        | 1,937,406        | 10.0%        |
| Cost of Electric Energy  | (1,004,723)      | (1,005,832)      | -0.1%        |
| Operating Cost/Expenses  | (545,752)        | (464,302)        | 17.5%        |
| Income from Electric Energy Services                           | 580,596          | 467,272          | 24.3%        |
| <b>EBITDA</b>  | <b>658,955</b>   | <b>554,232</b>   | <b>18.9%</b> |
| Financial Income (Expense)                                     | (89,814)         | (187,613)        | -52.1%       |
| Operating Income   | 490,782          | 279,659          | 75.5%        |
| Income Before Taxes  | 488,675          | 278,501          | 75.5%        |
| <b>NET INCOME</b>  | <b>305,493</b>   | <b>234,951</b>   | <b>30.0%</b> |

### Gross Revenues

Gross operating revenues totaled R\$2,720 million, 6.1% (R\$ 157 million) up year-on-year.

The main factors contributing to the net revenue growth were:

- (i) increase of 3.7% in energy sales revenues due to distributor tariff adjustments and the acquisition of a 32.7% holding of RGE by CPFL Energia on May 2006 (R\$ 89 million)
- (ii) growth of 50.9% in TUSD revenues (R\$ 57 million)
- (iii) extinction of the emergency charges required by ANEEL (R\$ 69 million)

### Cost of Energy Service

The cost of energy service, which comprises the cost of purchased energy and overheads for the use of the system, totaled R\$ 1,008 million in the 2Q06, virtually flat when compared to the same period of the previous year.

The cost of purchased energy totaled R\$ 818 million, down 0.3% (R\$2 million) in comparison to 2Q05, mainly due to:

- (i) increase of 6.1% (R\$ 52 million) in the cost of purchased energy
- (ii) reduction of 119.8% (R\$ 33 million) from the net effect of amortization and deferral of the CVA
- (iii) decline of R\$ 15 million from the repass in the PIS/COFINS tax rates to the generators
- (iv) drop of R\$ 7 million due to the booking of energy leftovers

Overheads for the use of the transmission and distribution system reached R\$ 190 million in the 2Q06, up by 1.3% (R\$ 2 million) when compared to the same period of the previous year.

## Operating Costs

Operating costs reached R\$512 million in the 2Q06, 17% up (R\$ 75 million) year-on-year primarily thanks to:

- (i) Personnel, materials, outsourced services and other operating costs: the main variations were in personnel costs, up by 13.8% (R\$ 10 million) in the 2Q06 chiefly due to the pay rise in June 2006; the acquisition of 32.7% of RGE's capital; and other operating costs, up by 27.8% (R\$ 13 million), due to changes in the accounting criterion for the energy efficiency program and R&D as of December 2005 pursuant to ANEEL Resolution 176;
- (ii) CCC and CDE Subsidies: CCC and CDE costs rose 42.9% and 41.0%, respectively (R\$ 68 million). It is worth noting that these are not manageable costs since they are defined by the regulatory body ANEEL;
- (iii) Private Pension Fund: costs and expenses from the private pension fund fell by 108.3% (R\$24 million) primarily thanks to the increase in the expected rate of return on the fund's assets, as defined in the last actuarial report.

## Financial Result

The financial result improved 2.2% (R\$ 1 million) in comparison to 2Q05, due to following factors:

- (i) drop of 4.1% in financial revenues (R\$ 4 million);
- (ii) decline of 3.4% in financial expenses (R\$ 6 million).

## Period Net Income and EBITDA

As a result of above mentioned factors, net income in 2Q06 totaled R\$ 248 million, increase of 31.1% (R\$59 million) in comparison to the same period of previous year. The EBITDA reached R\$ 492 million, up by 16.5% (R\$70 million).

## Commercialization Segment

| CONSOLIDATED INCOME STATEMENT -<br>CPFL BRASIL (R\$ thousand) | 2Q06           | 2Q05           | Var.         |
|---|----------------|----------------|--------------|
| <b>OPERATING REVENUES</b>                                     | <b>441,324</b> | <b>343,791</b> | <b>28.4%</b> |
| Net Operating Revenues  | 379,571        | 298,207        | 27.3%        |
| <b>EBITDA</b>   | <b>60,005</b>  | <b>57,296</b>  | <b>4.7%</b>  |
| <b>NET INCOME</b>   | <b>41,583</b>  | <b>39,247</b>  | <b>6.0%</b>  |

## Gross Revenues

Gross revenues came to R\$ 441 million, 28.4% (R\$98 million) up year-on-year mainly due to:

- (i) 32.1% increase in energy sales to the free market;
- (ii) 198.0% growth in the sales of value-added products and services

## EBITDA

EBITDA totaled R\$ 60 million, up by 4.73% (R\$3 million) when compared to 2Q05.

## Net Income

Net income stood at R\$ 42 million, up by 6.0% (R\$2 million) when compared to 2Q05.

## Generation Segment

| CONSOLIDATED INCOME STATEMENT -<br>GENERATION (R\$ thousand) | 2Q06           | 2Q05           | Var.         |
|--|----------------|----------------|--------------|
| <b>OPERATING REVENUES</b>                                    | <b>130,762</b> | <b>108,609</b> | <b>20.4%</b> |
| Net Operating Revenues                                       | 123,769        | 98,289         | 25.9%        |
| Cost of Electric Energy                                      | (6,162)        | (1,778)        | 246.6%       |
| Operating Cost/Expenses                                      | (21,470)       | (18,081)       | 18.7%        |
| Income from Electric Energy Services                         | 96,137         | 78,430         | 22.6%        |
| <b>EBITDA</b>  | <b>106,391</b> | <b>87,800</b>  | <b>21.2%</b> |
| Financial Income (Expense)                                   | (36,777)       | (29,649)       | 24.0%        |
| Operating Income   | 59,360         | 48,781         | 21.7%        |
| Income Before Taxes  | 59,406         | 48,834         | 21.6%        |
| <b>NET INCOME</b>  | <b>38,338</b>  | <b>31,104</b>  | <b>23.3%</b> |

## Gross Revenues

Gross revenues totaled R\$ 131 million, a 20.4% (R\$22 million) increase year-on-year primarily due to:

- (i) operations in Barra Grande Hydro Plant and PCH's CPFL Sul;
- (ii) 0.4% readjustment in CPFL Centrais Elétricas' contracts in April 2006;
- (iii) alteration in the Semesa's and Centrais Elétrica's Pis/Cofins tax rate from 9.3% to 3.7%

## Cost of Energy Service

The cost of energy service stood at R\$ 6 million, 246.7% (R\$4 million) growth year-on-year. This increment is essentially related to the acquisitions made by the subsidiary Baesa at R\$ 3 million mainly through the MRE – Energy Relocation Mechanism.

## Operating Costs

Operating costs and expenses came to R\$ 21 million, up by 18.7% (R\$ 3 million) in comparison to 2Q05. This increase is mainly due to:

- (i) PMSO: chiefly due to the 27.8% (R\$ 1 million) upturn in personnel costs following Baesa's startup and the 30.1% (R\$ 1 million) increase in outsourced services.

## Financial Result

The financial result was a net expense of R\$ 37 million, a 24% increase (R\$ 7 million) over the 2Q05, due to the following factors:

- (i) growth of 77.2% in financial revenues (R\$ 2 million);
- (ii) increase of 28.9% in financial expenses (R\$ 9 million) as a result of the beginning of financial expenses payments due to HPP Barra Grande start up.

## Period Net Income and EBITDA

Net income totaled R\$ 38 million, up by 23.3% (R\$ 7 million) and EBITDA reached R\$ 106 million, up by 21.2% (R\$ 19 million)

## Status of Generation Projects

### Foz do Chapecó

CPFL Energia and CEEE signed a purchase agreement through which CPFL will acquire an additional 11% interest in the CEFC – Foz do Chapecó Energy Consortium (“Foz do Chapecó”), which currently holds 100% of the shares in the Aproveitamento Hidrelétrico Foz do Chapecó (Foz do Chapecó Energy Use Project), to be built in the Uruguai River, with total installed capacity of 855 MW.

After this acquisition CPFL Group will hold a 51% interest in Foz do Chapecó, coming to an additional investment of R\$ 230 million. Therefore, CPFL’s total investments in the enterprise until its completion, scheduled for 2010, will come to R\$ 1.06 billion.

This acquisition amounts to R\$ 8.8 million and the additional 11% interest in Foz do Chapecó will represent an average assured energy of 47.5MW. CPFL does not have PPA for that amount and, therefore, should offer this energy in auctions.

This operation is an important step for CPFL Energia as the increase in its generation base is in line with the group’s program for increased participation in the generation segment.

### Campos Novos

Following the explanatory note about HPP Campos Novos, released on June 20<sup>th</sup>, 2006, the CPFL Energia inform that the repairs to the rerouting tunnels have already been initiated. The works conclusion and the filling of the reservoir is expected to be completed on October 15<sup>th</sup>, 2006.

The project’s startup is scheduled for November 22<sup>nd</sup>, 2006, although this is an average estimated deadline and will depend on period rainfall.

### **Investor Relations Team**

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CPFL Energia is the largest private group in the Brazilian electricity sector, operating in the distribution, commercialization and generation segments. It is also the only private company in Brazil's electricity sector whose shares are on the Bovespa's Novo Mercado and as Level III ADRs on the NYSE. The company's strategy is focused on improving operational efficiency and generating synergy-driven growth, underpinned by financial discipline, sustainability, social responsibility and differentiated corporate government practices.



## Balance Sheet

(R\$ million)



| ASSETS                                   | Consolidated      |                   |
|--|-------------------|-------------------|
|  | 06/30/06          | 03/31/06          |
| <b>CURRENT ASSETS</b>                    |                   |                   |
| Cash and Banks                           | 478,211           | 1,301,951         |
| Consumers, Concessionaries and Licensees | 1,900,445         | 1,771,097         |
| Other Receivables                        | 48,938            | 38,067            |
| Financial Investments                    | 40,168            | 39,318            |
| Recoverable Taxes                        | 219,729           | 161,481           |
| Allowance for Doubtful Accounts          | (69,350)          | (56,646)          |
| Materials and Supplies                   | 12,050            | 9,694             |
| Deferred Tariff Cost Variations          | 320,265           | 547,190           |
| Prepaid Expenses                         | 185,987           | 191,163           |
| Derivative Contracts                     | 1,700             | 2,627             |
| Other Credits                            | 103,152           | 91,078            |
|  | <b>3,241,295</b>  | <b>4,097,020</b>  |
| <b>NONCURRENT ASSETS</b>                 |                   |                   |
| Consumers, Concessionaries and Licensees | 301,849           | 340,051           |
| Other Recivables                         | 56,516            | 67,398            |
| Depósitos Judiciais                      | 197,981           | 206,200           |
| Financial Investments                    | 106,646           | 108,003           |
| Recoverable Taxes                        | 95,299            | 90,000            |
| Deferred Taxes                           | 1,088,561         | 1,093,749         |
| Advances for Future Capital Increase     | -                 | -                 |
| Deferred Tariff Cost Variations          | 632,950           | 508,344           |
| Prepaid Expenses                         | 29,836            | 29,491            |
| Other Credits                            | 177,170           | 167,585           |
|  | <b>2,686,808</b>  | <b>2,610,821</b>  |
| <b>PERMANENT ASSETS</b>                  |                   |                   |
| Investments                              | 3,121,529         | 3,055,097         |
| Property, Plant and Equipment            | 5,520,542         | 4,921,049         |
| Special Obligation Linked to Concession  | (703,244)         | (651,092)         |
| Deferred Charges                         | 49,659            | 42,040            |
|  | <b>7,988,486</b>  | <b>7,367,094</b>  |
| <b>TOTAL ASSETS</b>                      | <b>13,916,589</b> | <b>14,074,935</b> |

| LIABILITIES                                   | Consolidated      |                   |
|---|-------------------|-------------------|
|   | 06/30/06          | 03/31/06          |
| <b>CURRENT LIABILITIES</b>                    |                   |                   |
| Suppliers                                     | 775,216           | 713,547           |
| Payroll                                       | 3,937             | 4,756             |
| Accrued Interest on Debts                     | 41,274            | 48,694            |
| Accrued Interest on Debentures                | 73,998            | 155,669           |
| Loans and Financing                           | 774,154           | 731,394           |
| Debentures                                    | 500,793           | 275,135           |
| Employee Pension Plans                        | 93,621            | 90,116            |
| Regulatory Charges                            | 66,469            | 85,459            |
| Taxes and Social Contribution Payable         | 483,038           | 443,865           |
| Employee Profit Sharing                       | 7,920             | 16,630            |
| Dividends and Interest on Equity              | 621,755           | 488,894           |
| Due to Related Parties                        | 16,218            | -                 |
| Accrued Liabilities                           | 37,683            | 26,390            |
| Deferred Tariff Gains Variations              | 120,027           | 279,588           |
| Derivative Contracts                          | 55,448            | 68,750            |
| Other Accounts Payable                        | 274,461           | 285,781           |
|   | <b>3,946,012</b>  | <b>3,714,668</b>  |
| <b>LONG-TERM LIABILITIES</b>                  |                   |                   |
| Suppliers                                     | 141,604           | 151,117           |
| Loans and Financing                           | 2,016,992         | 1,868,390         |
| Debentures (nota 18)                          | 1,615,644         | 1,966,491         |
| Employee Pension Plans                        | 799,248           | 804,151           |
| Taxes and Social Contribution Payable         | 40,014            | 26,538            |
| Reserve for Contingencies                     | 327,601           | 324,364           |
| Deferred Tariff Gains Variations              | 102,676           | 11,438            |
| Derivative Contracts                          | 1,298             | 3,037             |
| Other Accounts Payable                        | 127,311           | 102,181           |
|   | <b>5,172,388</b>  | <b>5,257,707</b>  |
| <b>NON-CONTROLLING SHAREHOLDERS' INTEREST</b> | <b>2,117</b>      | <b>-</b>          |
| <b>SHAREHOLDERS EQUITY</b>                    |                   |                   |
| Capital                                       | 4,734,790         | 4,734,790         |
| Capital Reserves                              | 16                | 16                |
| Profit Reserves                               | 61,266            | 61,266            |
| Retained Earnings                             | -                 | 306,488           |
|   | <b>4,796,072</b>  | <b>5,102,560</b>  |
| <b>TOTAL LIABILITIES</b>                      | <b>13,916,589</b> | <b>14,074,935</b> |

## Income Statement

(R\$ million)



|  | Consolidated       |                    | Variation       |                |
|--|--------------------|--------------------|-----------------|----------------|
|  | 2Q06               | 2Q05               |                 |                |
| <b>OPERATING REVENUES</b>  |                    |                    |                 |                |
| Electricity Sales to Final Consumers   | 2,616,812          | 2,500,222          | 116,590         | 4.66%          |
| Electricity Sales to Distributors  | 121,488            | 109,839            | 11,649          | 10.61%         |
| Other Operating Revenues   | 199,651            | 142,245            | 57,406          | 40.36%         |
|  | <b>2,937,951</b>   | <b>2,752,306</b>   | <b>185,645</b>  | <b>6.75%</b>   |
| DEDUCTIONS FROM OPERATING REVENUES   | (806,880)          | (814,900)          | 8,020           | -0.98%         |
| <b>NET OPERATING REVENUES</b>  | <b>2,131,071</b>   | <b>1,937,406</b>   | <b>193,665</b>  | <b>10.00%</b>  |
| <b>COST OF ELETRIC ENERGY SERVICES</b>   |                    |                    |                 |                |
| Electricity Purchased for Resale   | (813,263)          | (818,265)          | 5,002           | -0.61%         |
| Electricity Network Usage Charges  | (191,460)          | (187,567)          | (3,893)         | 2.08%          |
|  | <b>(1,004,723)</b> | <b>(1,005,832)</b> | <b>1,109</b>    | <b>-0.11%</b>  |
| <b>Operating Costs/Expenses</b>  |                    |                    |                 |                |
| Personnel  | (87,922)           | (76,282)           | (11,640)        | 15.26%         |
| Material   | (13,190)           | (12,254)           | (936)           | 7.64%          |
| Outsourced Services  | (70,258)           | (64,386)           | (5,872)         | 9.12%          |
| Other Operating Costs  | (63,501)           | (49,105)           | (14,396)        | 29.32%         |
| Fuel Consumption Account - CCC   | (138,601)          | (96,985)           | (41,616)        | 42.91%         |
| Energy Development Account - CDE   | (91,784)           | (65,109)           | (26,675)        | 40.97%         |
| Employee Pension Plans   | 1,892              | (22,410)           | 24,302          | -108.44%       |
| Depreciation and Amortization  | (79,457)           | (75,734)           | (3,723)         | 4.92%          |
| Merged Goodwill Amortization   | (2,931)            | (2,037)            | (894)           | 43.89%         |
|  | <b>(545,752)</b>   | <b>(464,302)</b>   | <b>(81,450)</b> | <b>17.54%</b>  |
| <b>EBITDA</b>  | <b>658,955</b>     | <b>554,232</b>     | <b>104,723</b>  | <b>18.90%</b>  |
| <b>INCOME FROM ELETRIC ENERGY SERVICE</b>  | <b>580,596</b>     | <b>467,272</b>     | <b>113,324</b>  | <b>24.25%</b>  |
| <b>FINANCIAL INCOME (EXPENSE)</b>  |                    |                    |                 |                |
| Financial Income   | 161,494            | 117,081            | 44,413          | 37.93%         |
| Financial Expenses   | (251,308)          | (223,438)          | (27,870)        | 12.47%         |
| Interest on Equity   | -                  | (81,256)           | 81,256          | -100.00%       |
|  | <b>(89,814)</b>    | <b>(187,613)</b>   | <b>97,799</b>   | <b>-52.13%</b> |
| <b>OPERATING INCOME</b>  | <b>490,782</b>     | <b>279,659</b>     | <b>211,123</b>  | <b>75.49%</b>  |
| <b>NONOPERATING INCOME (EXPENSE)</b>   |                    |                    |                 |                |
| Nonoperating Income  | 985                | 3,151              | (2,166)         | -68.74%        |
| Nonoperating Expenses  | (3,092)            | (4,309)            | 1,217           | -28.24%        |
|  | <b>(2,107)</b>     | <b>(1,158)</b>     | <b>(949)</b>    | <b>81.95%</b>  |
| <b>INCOME BEFORE TAXES ON INCOME</b>   | <b>488,675</b>     | <b>278,501</b>     | <b>210,174</b>  | <b>75.47%</b>  |
| Social Contribution  | (45,096)           | (27,378)           | (17,718)        | 64.72%         |
| Income Tax   | (129,918)          | (77,205)           | (52,713)        | 68.28%         |
| <b>INCOME BEFORE EXTRAORDINARY ITEM AND NON-CONTROLLING SHAREHOLDERS' INTEREST</b> | <b>313,661</b>     | <b>165,758</b>     | <b>147,903</b>  | <b>89.23%</b>  |
| Non-Controlling Shareholders' Interest   | (30)               | (12,063)           | 12,033          | -99.75%        |
| Extraordinary Item net of Tax Effects  | (8,138)            | (8,160)            | 22              | -0.27%         |
| Reversal of Interest on Equity   | -                  | 81,256             | (81,256)        | -100.00%       |
| <b>NET INCOME (EXPENSE)</b>  | <b>305,493</b>     | <b>234,951</b>     | <b>70,542</b>   | <b>30.02%</b>  |

# Income Statement – Consolidated Distribution (Pro Form)

(R\$ million)



|  | Consolidated       |                    | Variation       |                |
|--|--------------------|--------------------|-----------------|----------------|
|  | 2Q06               | 2Q05               |                 |                |
| <b>OPERATING REVENUES</b>  |                    |                    |                 |                |
| Electricity Sales to Final Consumers   | 2,502,547          | 2,413,175          | 89,372          | 3.70%          |
| Electricity Sales to Distributors  | 23,152             | 10,361             | 12,791          | 123.45%        |
| Other Operating Revenues   | 194,011            | 139,421            | 54,590          | 39.15%         |
|  | <b>2,719,710</b>   | <b>2,562,957</b>   | <b>156,753</b>  | <b>6.12%</b>   |
| DEDUCTIONS FROM OPERATING REVENUES   | (771,075)          | (783,328)          | 12,253          | -1.56%         |
| <b>NET OPERATING REVENUES</b>  | <b>1,948,635</b>   | <b>1,779,629</b>   | <b>169,006</b>  | <b>9.50%</b>   |
| <b>COST OF ELETRIC ENERGY SERVICES</b>   |                    |                    |                 |                |
| Electricity Purchased for Resale   | (818,499)          | (820,874)          | 2,375           | -0.29%         |
| Electricity Network Usage Charges  | (189,607)          | (187,137)          | (2,470)         | 1.32%          |
|  | <b>(1,008,106)</b> | <b>(1,008,011)</b> | <b>(95)</b>     | <b>0.01%</b>   |
| <b>Operating Costs/Expenses</b>  |                    |                    |                 |                |
| Personnel  | (81,458)           | (71,585)           | (9,873)         | 13.79%         |
| Material   | (12,137)           | (11,564)           | (573)           | 4.96%          |
| Outsourced Services  | (59,319)           | (55,684)           | (3,635)         | 6.53%          |
| Other Operating Costs  | (58,713)           | (45,947)           | (12,766)        | 27.78%         |
| Fuel Consumption Account - CCC   | (138,601)          | (96,985)           | (41,616)        | 42.91%         |
| Energy Development Account - CDE   | (91,784)           | (65,109)           | (26,675)        | 40.97%         |
| Employee Pension Plans   | 1,845              | (22,116)           | 23,961          | -108.34%       |
| Depreciation and Amortization  | (69,154)           | (66,688)           | (2,466)         | 3.70%          |
| Merged Goodwill Amortization   | (2,931)            | (2,037)            | (894)           | 43.89%         |
|  | <b>(512,252)</b>   | <b>(437,715)</b>   | <b>(74,537)</b> | <b>17.03%</b>  |
| <b>EBITDA</b>  | <b>492,233</b>     | <b>422,570</b>     | <b>69,663</b>   | <b>16.49%</b>  |
| <b>INCOME FROM ELETRIC ENERGY SERVICE</b>  | <b>428,277</b>     | <b>333,903</b>     | <b>94,374</b>   | <b>28.26%</b>  |
| <b>FINANCIAL INCOME (EXPENSE)</b>  |                    |                    |                 |                |
| Financial Income   | 94,517             | 98,633             | (4,116)         | -4.17%         |
| Financial Expenses   | (161,337)          | (166,927)          | 5,590           | -3.35%         |
| Interest on Equity   | (81,500)           | (84,609)           | 3,109           | -3.67%         |
|  | <b>(148,320)</b>   | <b>(152,903)</b>   | <b>4,583</b>    | <b>-3.00%</b>  |
| <b>OPERATING INCOME</b>  | <b>279,957</b>     | <b>181,000</b>     | <b>98,957</b>   | <b>54.67%</b>  |
| <b>NONOPERATING INCOME (EXPENSE)</b>   |                    |                    |                 |                |
| Nonoperating Income  | 939                | 3,067              | (2,128)         | -69.38%        |
| Nonoperating Expenses  | (3,092)            | (3,651)            | 559             | -15.31%        |
|  | <b>(2,153)</b>     | <b>(584)</b>       | <b>(1,569)</b>  | <b>268.66%</b> |
| <b>INCOME BEFORE TAXES ON INCOME</b>   | <b>277,804</b>     | <b>180,416</b>     | <b>97,388</b>   | <b>53.98%</b>  |
| Social Contribution  | (26,298)           | (17,576)           | (8,722)         | 49.62%         |
| Income Tax   | (72,527)           | (48,396)           | (24,131)        | 49.86%         |
| <b>INCOME BEFORE EXTRAORDINARY ITEM AND NON-CONTROLLING SHAREHOLDERS' INTEREST</b> | <b>178,979</b>     | <b>114,444</b>     | <b>64,535</b>   | <b>56.39%</b>  |
| Non-Controlling Shareholders' Interest   | (4,131)            | (1,590)            | (2,541)         | 159.81%        |
| Extraordinary Item net of Tax Effects  | (8,079)            | (8,079)            | -               | 0.00%          |
| Reversal of Interest on Equity   | 81,500             | 84,609             | (3,109)         | -3.67%         |
| <b>NET INCOME (EXPENSE)</b>  | <b>248,269</b>     | <b>189,384</b>     | <b>58,885</b>   | <b>31.09%</b>  |

## Income Statement

(R\$ million)



|  | Consolidated    |                 | Variation      |                |
|--|-----------------|-----------------|----------------|----------------|
|  | 2Q06            | 2Q05            |                |                |
| <b>OPERATING REVENUES</b>  |                 |                 |                |                |
| Electricity Sales to Final Consumers   | 57              | -               | 57             | 100.00%        |
| Electricity Sales to Distributors  | 129,814         | 107,680         | 22,134         | 20.56%         |
| Other Operating Revenues   | 891             | 929             | (38)           | -4.09%         |
|  | <b>130,762</b>  | <b>108,609</b>  | <b>22,153</b>  | <b>20.40%</b>  |
| DEDUCTIONS FROM OPERATING REVENUES   | (6,993)         | (10,320)        | 3,327          | -32.24%        |
| <b>NET OPERATING REVENUES</b>  | <b>123,769</b>  | <b>98,289</b>   | <b>25,480</b>  | <b>25.92%</b>  |
| <b>COST OF ELETRIC ENERGY SERVICES</b>   |                 |                 |                |                |
| Electricity Purchased for Resale   | (3,625)         | (1,375)         | (2,250)        | 163.69%        |
| Electricity Network Usage Charges  | (2,537)         | (403)           | (2,134)        | 529.68%        |
|  | <b>(6,162)</b>  | <b>(1,778)</b>  | <b>(4,384)</b> | <b>246.65%</b> |
| <b>Operating Costs/Expenses</b>  |                 |                 |                |                |
| Personnel  | (3,852)         | (3,014)         | (838)          | 27.80%         |
| Material   | (256)           | (203)           | (53)           | 26.11%         |
| Outsourced Services  | (4,635)         | (3,561)         | (1,074)        | 30.16%         |
| Other Operating Costs  | (2,519)         | (1,986)         | (533)          | 26.84%         |
| Fuel Consumption Account - CCC   | -               | -               | -              |                |
| Energy Development Account - CDE   | -               | -               | -              |                |
| Employee Pension Plans   | 47              | (294)           | 341            | -115.99%       |
| Depreciation and Amortization  | (10,255)        | (9,023)         | (1,232)        | 13.65%         |
| Merged Goodwill Amortization   | -               | -               | -              |                |
|  | <b>(21,470)</b> | <b>(18,081)</b> | <b>(3,389)</b> | <b>18.74%</b>  |
| <b>EBITDA</b>  | <b>106,391</b>  | <b>87,800</b>   | <b>18,591</b>  | <b>21.17%</b>  |
| <b>INCOME FROM ELETRIC ENERGY SERVICE</b>  | <b>96,137</b>   | <b>78,430</b>   | <b>17,707</b>  | <b>22.58%</b>  |
| <b>FINANCIAL INCOME (EXPENSE)</b>  |                 |                 |                |                |
| Financial Income   | 5,242           | 2,959           | 2,283          | 77.15%         |
| Financial Expenses   | (42,019)        | (32,608)        | (9,411)        | 28.86%         |
| Interest on Equity   | -               | -               | -              |                |
|  | <b>(36,777)</b> | <b>(29,649)</b> | <b>(7,128)</b> | <b>24.04%</b>  |
| <b>OPERATING INCOME</b>  | <b>59,360</b>   | <b>48,781</b>   | <b>10,579</b>  | <b>21.69%</b>  |
| <b>NONOPERATING INCOME (EXPENSE)</b>   |                 |                 |                |                |
| Nonoperating Income  | 46              | 53              | (7)            | -13.21%        |
| Nonoperating Expenses  | -               | -               | -              |                |
|  | <b>46</b>       | <b>53</b>       | <b>(7)</b>     | <b>-13.21%</b> |
| <b>INCOME BEFORE TAXES ON INCOME</b>   | <b>59,406</b>   | <b>48,834</b>   | <b>10,572</b>  | <b>21.65%</b>  |
| Social Contribution  | (4,588)         | (4,250)         | (338)          | 7.95%          |
| Income Tax   | (16,419)        | (13,399)        | (3,020)        | 22.54%         |
| <b>INCOME BEFORE EXTRAORDINARY ITEM AND NON-CONTROLLING SHAREHOLDERS' INTEREST</b> | <b>38,399</b>   | <b>31,185</b>   | <b>7,214</b>   | <b>23.13%</b>  |
| Non-Controlling Shareholders' Interest   | -               | -               | -              |                |
| Extraordinary Item net of Tax Effects  | (61)            | (81)            | 20             | -24.69%        |
| Reversal of Interest on Equity   | -               | -               | -              |                |
| <b>NET INCOME (EXPENSE)</b>  | <b>38,338</b>   | <b>31,104</b>   | <b>7,234</b>   | <b>23.26%</b>  |